



# The Americas Update

July 2005

## CAFTA PASSES

CAFTA-DR, or the Central American – Dominican Republic Free Trade Agreement was passed by the United States Senate in June and by the Congress last night (07/27).

CAFTA-DR is an important step towards strengthening United States commerce and industry. In 2004, trade between the six CAFTA nations and the United States totaled over \$33 billion. Of that 33 billion, United States exports accounted for almost \$16 billion in goods to the five Central American countries and the Dominican Republic. U.S. exports to Central America are already seeing high export growth rates. From 2000 to 2004, export shipments to CAFTA-DR countries grew by almost sixteen percent; over ten percent higher than aggregate export growth over the same time period. The United States export growth rate to Central America should increase as a result of CAFTA-DR.

Central America and the Dominican Republic are natural trading partners for American Businesses. Because of our geographic proximity, mutual cultural understanding, and familiarity with one another, United States firms already enjoy close to a 50 percent share of the Central America import market. CAFTA-DR should bring about additional opportunities to harmonize the Central American market and allow U.S. businesses to better serve the regional, integrated market.

Many of CAFTA-DR detractors have claimed that the free trade initiative would hurt U.S. businesses and workers. Yet by most measures this agreement will level the playing field, help United States businesses prosper, and in turn increase employment for

local workers. Before CAFTA-DR, U.S. products faced a competitive disadvantage because the Central American countries have negotiated twenty separate Free Trade Agreements with several foreign nations, including Mexico and Canada. CAFTA-DR will ensure that U.S. companies are not at a disadvantage relative to those countries that Central America has already negotiated with. Additionally, nearly 80% of products from Central America and the Dominican Republic already enter the U.S. duty-free; far fewer of United States products were duty free in Central America before CAFTA-DR.

America's market is already open to imports, ergo it is likely that exports will benefit more from this free trade agreement than imports.

CAFTA-DR is an important step towards improving the quality of life and preserving the democratic freedoms of everyday people in Central America and the Dominican Republic. The Central American nations are somewhat fragile democracies that would benefit from U.S. support. Elected leaders in the region are embracing personal freedom and economic reform that will promote privatization, competition, and open markets. CAFTA-DR should stabilize and improve their local economies and commit the Central American countries to even greater openness and transparency. In turn, an improved economy will give substantiated evidence their democratic governments policies and reforms are working while deepening the roots of democracy, civil society, and the rule of law in the region. CAFTA-DR also works for Central Americans' interests by working with the International Labor Organization(ILO) to improve existing labor laws and enforcement.

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## **Business Opportunities**

### **Argentina**

**Industry:** Food Processing

**Sector:** Meat Processing Equipment

Argentina has been a leading beef exporter for over a century and its products reach more than 100 countries. In terms of quantity produced, Argentina's thirteen million cattle a year beef market is second only to the U.S. Such a vibrant market provides opportunities for U.S. exporters of food processing and packaging equipment. In Argentina there are approximately 370 autonomous meat-processing plants, 10 percent of which export their products. All firms involved in slaughtering and processing for exports are registered with the Argentine Bureau of Animal Health (SENASA). Additionally, the World Organization for Animal Health (OIE) declared Argentina free of foot-and-mouth disease with vaccination. Argentina is a large, lucrative, safe, and increasingly stable market to export to.

For More Information, [click here](#)

### **Brazil**

**Industry:** Manufacturing

**Sector:** Industrial Automation

According to ABINEE, the Brazilian Electrical and Electronics Industry Association, the Brazilian market for industrial automation and instrumentation is estimated at US\$ 1.4 billion with a growth rate of 20 percent from 2003 to 2004. Approximately 60 percent of Brazil's industrial automation market is supplied by imports and much of the remaining 40 percent is usually assembled in Brazil with imported components. The United States is the primary supplier in this market, with a 41 percent share and increasing. Soon U.S. exports in industrial automation machinery will outnumber the sum of Europe's automation market exports to Brazil. In addition, because the Dollar is currently devalued in relation to the Euro and Pound exchange rates favors U.S. exports to Brazil.

For More Information, [click here](#)

### **Canada**

**Industry:** Energy

**Sector:** Renewable Energy

The Ontario Government has set a target that 5% of all Canadian generating capacity comes from renewable sources by 2007, raised to 10% by 2010. The government hopes to accomplish this by constructing multiple plants with a maximum production capacity of 200 MW of renewable energy supply. This opens an opportunity for smaller scale production proposals.

U.S. small to mediums sized enterprises with a particular specialization in developing energy under the 20 MW range should consider placing bids. It is expected that renewable supplies of energy will play a significant role in ensuring that Canada is fully sufficient in supplying its energy needs. This initiative should open the door for many companies in renewable energy and power plant construction sub-sectors.

For More Information, [click here](#)

### **Colombia**

**Industry:** Franchising

**Sector:** Franchising

The number of franchises in Colombia more than doubled in the last three years, from 100 at the end of 2002 to 244 by April 2005. 43 percent of Franchises are of foreign origin; the majority of them are from the U.S. All told there is a network of 9,464 separate franchise establishments. Twenty seven percent (2,583) of these businesses are owned directly by the franchiser while the rest (6,881) are operated by independent franchisees. Either way, the prospect for U.S. Franchises to earn profits in Colombia is growing. Colombia is an increasingly enticing trade partner; Foreign and national investments generally receive the same legal and administrative treatment. Import duties have been reduced and simplified. Colombian GDP increased by 3.7 percent during 2004 and is expected to grow by 4.1 percent during the current year.

For More Information, [click here](#)

### **Costa Rica**

**Industry:** Textiles

**Sector:** Clothing

Although Costa Rica is a small country of 4.2 million citizens, it represents an important market for fashion products. Many U.S. firms are well recognized by Costa Rican consumers for their reputation of quality and style. Despite perceived shortcomings in the textile industry, the United States is still the second largest foreign supplier of clothing to Costa Rica. In addition, if CAFTA is passed by U.S. lawmakers custom duties for clothing will decrease from 14.13 percent to zero. It should be noted that in Costa Rica, just like everywhere else, image and fashion matter. To truly be successful your company should pursue marketing strategies to increase product recognition and consumer perception of quality.

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## **Dominican Republic**

### **Industry: Food Processing**

#### **Sector: Beverage Processing Machinery**

The Dominican Republic's economy continues to stabilize as GDP grew by 4.3 percent during the first quarter of 2005. The Dominican peso has also appreciated to approximately RD\$28 to US\$1 from a low of RD\$50 to US\$1. This is all good news for the country's growing beverage processing market. In 2003, the total market for beverage processing machinery was only US\$10 million, however by 2005 that had doubled US\$20 million. Moderate growth is forecast for the future. Imports dominate this market; purchases from the U.S. constitute approximately 40 percent of total imports. Imported European equipment has a slightly larger market share. According to local industry sources, the following new and refurbished equipment offer the best sales prospects, equipment used in the manufacture of fruit juice, machines for filling and sealing cans, and machinery to clean empty bottles. The most common beverages produced in the Dominican Republic are rum, fruit juices, and beer.

For More Information, [click here](#)

## **Guatemala**

### **Industry: Construction**

#### **Sector: Building Products**

The Monetary Committee of the Central Bank and the Guatemalan Chamber of Construction expect that construction revenue will grow at least until the end of 2005. The Monetary Committee estimates growth of 12.6% for 2004. The majority of homebuilding in Guatemala is done using concrete, but high-end residential homes, apartments, and commercial structures use a myriad of materials, foremost steel.

A lot of the construction is done manually and prefabricated items are seldom used outside of commercial buildings. Best sales prospects for U.S. companies in Guatemala are products used in the construction of apartment buildings and high-end residential homes, such as structural metals, electrical wiring and fixtures, and kitchen and laundry appliances.

For More Information, [click here](#)

## **Mexico**

### **Industry: Oil and Gas**

#### **Sector: Liquefied Natural Gas**

The Liquefied Natural Gas market for industry equipment and services was USD 3.1 billion in 2004; annual growth was estimated at 10 percent. There is a demand for both liquefied natural gas processing plants and investment in exploration and production of

natural gas. This provides a broad range of opportunities for businesses in the United States. Mexico plans to have five LNG plants in operation by 2010. Each of the LNG plants will be built by private sources. The total investment expected for the five projects is estimated at over USD 7 billion during 2005-2006 alone. Possible contracts include iron and nonalloy steel pipes for gas, containers for liquefied natural gas of iron or steel, parts for boilers, water process gas generators, gas meters, gas valves, gas analyzers, and laboratory instruments. Moreover, the United States has a head start in the Mexican market because of NAFTA.

For More Information, [click here](#)

## **Mexico**

### **Industry: Furniture**

#### **Sector: Furniture Inputs and Machinery**

Given that Mexico is the second largest exporter of furniture to the United States demand for U.S. furniture in Mexico is understandably low. Yet, because the market is ninety two percent comprised of small businesses that haven't taken advantage of economies of scale, machinery per worker remains high while technology is lagging. Thus there are opportunities for U.S. firms to invest in the market and to supply inputs, machinery, and technology. However, manufacturers require assistance to get financing and working capital to buy new equipment, technology, and machinery. The best prospects for machinery are control routers and gang drills while the best prospects for inputs are solid woods, precious wood, leather, and metal components.

For More Information, [click here](#)

## **Uruguay**

### **Industry: Plastics**

#### **Sector: Plastics and Production Equipment**

Uruguay's plastics sector is among the top 10 most important of the economy. It invoices around \$ 250 million per year. Raw material (plastic resins) is 100% imported from various countries and represents 50% of the finished product price. The sector employs approximately 4,000 people and processes 150,000 tons of plastic monthly. In addition to the market for raw plastics material, there is also a growing market for plastics production equipment. Upgrading production equipment is starting to take place and is expected to increase by 2006, as local firms look for new technologies and better quality products.

For More Information, [click here](#)

## **Trade Events**

### **Canada**

**Industry:** Film and Literature

#### **Banff Mountain Film and Book Festival**

The Banff Centre in Banff, Alberta Canada, an art, cultural, and educational institution and conference facility, will be hosting the 2005 Banff Mountain Film Festival and 2005 Banff Mountain Book Festival from October 29 to November 6. Organizers of the Banff film and book festivals are presently seeking big-screen adventure and mountain films and mountain book tale submissions. This international event presents an excellent opportunity for U.S. filmmakers and writers of adventure tales to promote their material and network with potential business partners. The festival has been going on for thirty years and is an excellent way to expand your sales and name recognition.

For More Information, [click here](#)

### **Brazil**

**Industry:** Cosmetics

#### **Cosmoprof Cosmetica Show**

According to data from ABIHPEC- (the Brazilian Association of the Personal Hygiene, Perfumery and Cosmetic Industry) the cosmetics sector in Brazil has grown 6.5% over the last five years and revenues have increased from US\$ 3.2 billion in 1999 to US\$ 3.7 billion in 2003. The Cosmoprof Cosmetics show is the premier cosmetics showcase for Brazil, it will be held September 9-12 in Sao Paulo. The Cosmoprof Cosmética show is the largest beauty expo in Latin America and the second largest such show in the world. Consumers and expositors come from 36 countries on five continents to spend the 4 days of the fair promoting and viewing products in all beauty sectors. This is an excellent launching pad for U.S. cosmetic and beauty companies to begin exporting.

For More Information, [click here](#)

### **Peru**

**Industry:** Mining

#### **EXTEMIN 2005**

Extemin is the premier Mining Trade Show for South America. Peru's Minister of Mining invites both mining industry companies and interested buyers from the United States to attend the trade event to show products and attend in-depth seminars and discussions about new technological development and potential in mining. Extemin has grown into an international event with over 200 exhibitors and 12,000 buyers and attendees and is proudly organized by Peru's Minister of Mining and the University of Arequipa.

For More Information, [click here](#)

### **Mexico**

**Industry:** Jewelry

#### **Expo Joya 2005**

From October 3-10, Mexico will hold its largest jewelry exhibition of the year in Guadalajara, Mexico. Attracting over 15,000 attendees and nearly 350 exhibitors, Expo Joya will strongly assist U.S. companies to enter this important market. This show is ideal for U.S. jewelry manufacturers, equipment manufacturers, industry service providers, and suppliers. Mexico's jewelry industry is heavily concentrated in the state of Jalisco, where Guadalajara is located. Sixty metric tons of gold are on average processed into jewelry in Mexico annually, with 60% of production taking place in Jalisco, making it the top producer of gold jewelry nationwide.

For More Information, [click here](#)

## **Useful Websites**

### **[CAFTA](#)**

The CAFTA treaty has stirred debate among many Americans both for and against the treaty. This link, compiled by the US Trade Representative, offers you the availability to read the entire CAFTA free trade agreement.

### **[CAFTA-DR, Sector Benefits](#)**

Anxious about how CAFTA-DR will affect your business's sector? Click on the heading to see market research tailored to your specific industry and see how market forecasts will be affected by the passage of CAFTA-DR.

### **[CAFTA-DR, Why CAFTA-DR?](#)**

The following website was compiled by the International Trade Administration of the United States Department of Commerce. It addresses the reasons that CAFTA-DR is a beneficial free trade agreement for both the USA and Central America. Labor issues and environmental policy are discussed.

### **[Currency Converter](#)**

If you are traveling overseas this is an invaluable tool. Knowing the conversion rates is very important whether you are negotiating a sale or buying souvenirs for your relatives.

### **[Tips For New Exporters](#)**

The U.S. Customs has outlined many items you should know if you are a first time or inexperienced exporter. Included are suggestions on licensing, duty and tariff research, and navigating online resources.

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